

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 STR-04 SIL-01

LAB-04 CIEP-01 OMB-01 PM-04 L-03 NSC-05 CIAE-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 8404

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POUCHED AS INFO TO ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: ECON, CA

SUBJ: PM TRUDEAU CLAIMS FREE-ENTERPRISE SYSTEM NO LONGER  
WORKS AND INDICATES CONTINUED GOVERNMENT ECONOMIC CONTROLS

REF: OTTAWA 4767

1. SUMMARY (BEGIN UNCLASSIFIED) IN RADIO AND TV  
INTERVIEWS ON DECEMBER 27 AND 28 PM TRUDEAU CLAIMED  
FREE ENTERPRISE SYSTEM HAD NOT SOLVED PROBLEMS OF HIGH  
UNEMPLOYMENT AND INFLATION AND FEDERAL GOVERNMENT MUST  
TAKE LARGER ROLE IN DECISIONS INVOLVING BIG UNIONS AND  
BIG BUSINESS. ECHOING "NEW SOCIETY" THEME OF HIS  
DECEMBER 18 NATION-WIDE TV AND RADIO ADDRESS, TRUDEAU  
PREDICTED FURTHER GOVERNMENT INTERVENTION IN ECONOMY AND  
CONTINUANCE OF FEDERAL CONTROLS AFTER ANTI-INFLATION  
PROGRAM ENDS IF CANADIANS DO NOT CHANGE ATTITUDES TOWARD  
SELF-DISCIPLINE. MEDIA REACTION TO TRUDEAU COMMENTS  
WAS NEGATIVE AND CLC PRESIDENT JOE MORRIS LIKENED PM'S  
FORECASTS TO ORWELLIAN BIG BROTHER SOCIETY. CONSERVATIVE  
MP'S VIGOROUSLY ATTACKED TRUDEAU "NEW SOCIETY" CONCEPT  
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AND LABELED CONTINUED CONTROLS "DICTATORIAL." END

SUMMARY.

2. PM TRUDEAU GAVE RADIO INTERVIEW ON DEC 27 FOLLOWED BY ANNUAL CTV HOUR-LONG INTERVIEW ON DECEMBER 28, WITH MAJOR EMPHASIS ON GOC ANTI-INFLATION PROGRAM AND ON GOVERNMENT INTERVENTION IN ECONOMY. DENYING THAT HE OR "SOME OTHER LITTLE ELITE GROUP" IN PM'S OFFICE HAD "MASTER PLAN" WHICH "WILL TELL THE WORLD IN GENERAL AND CANADA IN PARTICULAR WHERE IT MUST GO OVER THE NEXT LITTLE WHILE" TRUDEAU NONETHELESS REITERATED HIS "NEW SOCIETY" THEME CALLING FOR DEVELOPMENT OF "NEW VALUES AND EVEN CHANGES IN OUR INSTITUTIONS."

3. TRUDEAU CHARACTERIZED 1975 AS "SOME KIND OF HISTORIC YEAR" WITH "THE GOVERNMENT HAVING EMBARKED ON WHAT IS THE MOST MASSIVE INTERVENTION IN THE FREE MARKET ECONOMY IN PEACE TIME." THIS ACTION WAS JUSTIFIED, HE SAID, BECAUSE "WE HAVEN'T BEEN ABLE TO MAKE IT (THE FREE MARKET SYSTEM) WORK." GOC ANTI-INFLATION PROGRAM WAS MORE THAN "BIT OF STRONG MEDICINE WE'LL HAVE TO TAKE IN ORDER TO GET INFLATION DOWN... IT'S A MASSIVE INTERVENTION INTO THE DECISION-MAKING POWERS OF THE ECONOMIC GROUPS." CONTENDING THAT "THE SYSTEM IS OUT OF JOINT," TRUDEAU DISAGREED WITH "SOME ECONOMISTS (WHO) SAY ALL YOU'VE GOT TO DO IS GET BACK TO THE FREE MARKET SYSTEM AND MAKE THIS MARKET SYSTEM WORK." TRUDEAU SAID, "IT WON'T, YOU KNOW." "WE DON'T WANT TO GO BACK TO THE SAME KIND OF SOCIETY WITH HIGH UNEMPLOYMENT AND HIGH INFLATION AND THIS MEANS YOU'RE GOING TO HAVE ALSO BIG GOVERNMENTS." "IT MEANS THERE IS GOING TO BE NOT LESS AUTHORITY IN OUR LIVES BUT PERHAPS MORE."

5. TV INTERVIEWER BRUCE PHILLIPS ASKED TRUDEAU IF SUCH MASSIVE GOVERNMENT INTERVENTION WAS PERSONALLY "DISTURBING TREND" IN LIGHT OF TRUDEAU'S LIBERAL PHILOSOPHY. TRUDEAU CLAIMED THAT "IF TIMES AS I HAVE DESCRIBED THEM INDICATE THAT YOU NEED MORE CONTROL OF THE BIG PEOPLE, AS WE'RE DOING IN OUR ANTI-INFLATION PROGRAM, ... IN ORDER TO PERMIT MORE FLOURISHING OF LIBERTY IN ALL THE OTHER AREAS, WHETHER IT BE EDUCATION LIMITED OFFICIAL USE

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OR THE ARTS OR SMALL ENTERPRISE, THEN LIBERALISM HASN'T TAKEN A FALLBACK; IT HAS ADVANCED."

6. REJECTING INTERVIEWER'S SUGGESTION THAT MORE GOVERNMENT INTERVENTION WOULD BRING CANADA CLOSER TO CORPORATE OR SOCIALIST STATE, TRUDEAU SAID HE "WAS NEVER A FOLLOWER OF SYNDICALISM OR CORPORATISM OR GUILD SOCIALISM." HE DID ADMIT TO BEING INFLUENCED

BY GALBRAITH'S THINKING ON PLANNED ECONOMIES, BUT TRUDEAU SAID HE "WOULD NOT WANT TO MAKE THE STATEMENT THAT HE (GALBRAITH) MAKES ABOUT THESE CONTROLS BEING PERMANENT." HOWEVER, "IF IT'S OBVIOUS AT THE END OF THE THREE YEARS THAT THE PLANNED SECTOR OF SOCIETY, AS OPPOSED TO THE MARKET SECTOR, IS GOING BACK TO ITS OLD WAYS - WHAT WILL YOU DO THEN - WELL, THEN I'D SAY WE'LL HAVE TO KEEP THE CONTROLS ON IN ONE WAY OR ANOTHER."

7. PRODDED BY QUESTIONS REGARDING "NEW SOCIETY" CONCEPT THAT HE HAD USED IN HIS DEC 18 NATION-WIDE TV AND RADIO ADDRESS ("I WILL BE SPEAKING TO YOU AGAIN IN THE MONTHS AHEAD ABOUT THE KIND OF SOCIETY WE WILL NEED TO CREATE IN RESPONSE TO THE NEW ECONOMIC CIRCUMSTANCES IN WHICH WE ARE LIVING") TRUDEAU GAVE NO SPECIFICS. HE MERELY REPEATED HIS BELIEF IN "THE NEED IN THE CHANGING TIMES WHERE WE ARE TO DEVELOP NEW VALUES AND EVEN CHANGE OUR INSTITUTIONS." HE SAID HE HAD NO READY SOLUTION OTHER THAN A "BELIEF IN SHARING, BELIEF IN BEING GOOD TRUSTEES OF WHAT WE HAVE, TOLERANCE, BELIEF IN FREEDOM AND ORDINANCE." HE SAID HE'D BEEN SPEAKING ABOUT NEED TO HAVE "DIFFERENT SOCIETY" SINCE HE BECAME PM, AND "NEW SOCIETY" SHOULD BE "ONE WHERE NET HUMAN BENEFIT WOULD BE THE IMPORTANT THING RATHER THAN GROSS NATIONAL PRODUCT."

8. DURING MIDDLE OF INTERVIEW, TRUDEAU REVERTED TO HIS CANADIANS-NEVER-HAD-IT-SO-GOOD THEME OF YEAR AGO, AND SAID "I DON'T LIKE TO BRAG, BUT WE'VE DONE BETTER THAN EVERY MAJOR COUNTRY EXCEPT ONE IN THIS YEAR. THE PREDICTIONS FOR NEXT YEAR ARE (SIC) DOING BETTER THAN EVERY ONE EXCEPT ONE, THE UNITED STATES. SO WE'VE LIMITED OFFICIAL USE

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BEEN DOING PRETTY WELL." THIS SOMEWHAT INCONSISTENT NOTE IN OTHERWISE GLOOMY PICTURE OF CANADIAN ECONOMIC PROBLEMS WAS NEVER PICKED UP BY INTERVIEWERS.

9. ON QUESTION OF HIGH GOVERNMENT EXPENDITURES TRUDEAU DEFENDED HIS ADMINISTRATION BUT SAID GOC WAS NOW TRYING TO "REDUCE THE PERCENTAGE OF ALL THE GOODS AND SERVICES WE'VE CONSUMED BY GOVERNMENTS. IT'S NOT NECESSARILY A MOVE TO THE RIGHT. I THINK IT'S MORE OF A TAKING STOCK." WHEN ASKED ABOUT PC STANFIELD'S CRITICISM OF THE GOVERNMENT FOR FREEZING MP WAGE INCREASES BUT NOT ALLOWANCES, TRUDEAU LABELED THAT CRITICISM "HYPOCRITICAL."

10. TO QUESTION ABOUT EFFECTIVENESS OF PARLIAMENT, TRUDEAU SAID THAT "IT'S WORKING VERY BADLY, BUT I DON'T

THINK I WOULD WANT TO SEE IT REPLACED BY ANY FORM OF CORPORATISM." HOUSE OF COMMONS "IS BECOMING LESS AND LESS RELEVANT," TRUDEAU SAID, BUT "THERE'S MANY BIG AND LITTLE REFORMS THAT WE'VE BEEN PROPOSING... ALL THINGS THAT WOULD MAKE PARLIAMENT WORK BETTER."

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11. ON THE FUTURE OF CANADA, TRUDEAU SAID "WE'VE GOT TO CHANGE OUR SOCIETY SO THAT WE LOOK FOR BETTER THINGS RATHER THAN MORE THINGS." HE SPOKE OF NEED TO "SLOW DOWN A BIT," AND "IF WE HAVE A FEW LESS IMMIGRANTS ... AND A FEW LESS PEOPLE BEING BORN... THEN WE DON'T HAVE TO FALL OVER OURSELVES TO PRODUCE INDUSTRIAL GOODS AND CREATE JOBS AND SO ON." "WE WILL AGREE IN ADVANCE ON WHAT A MORE REASONABLE SHARE OF THE PIE IS."

12. AT END OF INTERVIEW, TRUDEAU WAS ABLE TO TALK ONLY BRIEFLY ABOUT PROVINCIAL POLITICS. HE SAID HE WOULD LIKE TO SEE STRONG LIBERAL PARTY IN ALBERTA AND ALSO STRONG CONSERVATIVE PARTY IN QUEBEC. HE DID NOT BELIEVE "SPECIAL CONSTITUTIONAL ARRANGEMENTS" SHOULD BE MADE FOR QUEBEC AND WAS AGAINST "TINKERING WITH THE CONSTITUTION" TO CHANGE PROVINCIAL "POWER RELATIONSHIP."

13. INITIAL MEDIA REACTION TO TRUDEAU'S REMARKS HAS BEEN NEGATIVE. CTV COMMENTATOR LIKENED TRUDEAU'S ESPOUSAL OF ECONOMIC CONTROLS TO CONVERSION OF ST. PAUL AND QUESTIONED MOTIVES FOR CONVERSION. TORONTO STAR EDITORIALIZED THAT TRUDEAU'S "NEW SOCIETY" WAS LIMITED OFFICIAL USE

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"AMORPHOUS" NOTION THAT NEEDED EXPLAINING AND THAT "COUNTRY EXPECTS HIM TO CONFRONT THE REALITIES OF CANADIAN LIFE RATHER THAN CREATE DIVERSIONARY AND VAGUE BLUEPRINTS." GLOBE AND MAIL CLAIMED TRUDEAU DOES NOT HAVE MANDATE FROM PEOPLE FOR CONTINUING ECONOMIC CONTROLS; IN FACT, HE WAS ELECTED BY CAMPAIGNING AGAINST THEM. NEWSPAPER MAINTAINED THAT GOC "WHICH PLANS RADICAL CHANGE HAS A DUTY -- IN A DEMOCRACY -- TO LAY THE CHANGES BEFORE THE PEOPLE... AND BE PREPARED TO STAND OR FALL ON WHAT PEOPLE THINK OF THEM."

14. CLC PRESIDENT JOE MORRIS TERMED TRUDEAU'S REMARKS ORWELLIAN AND THE BEGINNING OF THE END FOR COLLECTIVE BARGAINING. CP HOUSE LEADER GERALD BALDWIN REPORTEDLY SAID TRUDEAU'S "CHILLING" MESSAGE WAS REMINISCENT OF THE APPROACH USED BY TOTALITARIAN LEADERS AND PC TOM COSSIT CLAIMED TRUDEAU WAS "TRYING TO CREATE AND MAINTAIN FOR HIMSELF A DICTATORIAL SOCIALIST OR FASCIST TYPE STATE IN CANADA." TORONTO BOARD OF TRADE PRESIDENT REPORTEDLY SAID HE WAS PARTICULARLY DISTURBED BY TRUDEAU'S REMARKS ON FREE MARKET SYSTEM AND WAS QUOTED AS SAYING "TRUDEAU IS TRYING TO SCRAMBLE AN EGG BY BEATING THE CHICKEN."

15. IN CBC RADIO INTERVIEW, WELL-REGARDED FINANCIAL POST WRITER STEVEN DUNCAN, ECHOING GENERAL CONCERNS ABOUT VAGUENESS OF TRUDEAU'S PROGRAM AND APPARENT TURNING AWAY FROM MARKET SYSTEM, EXPRESSED FEARS ABOUT NEGATIVE IMPACT ON INVESTMENT FLOWS WITH FOREIGNERS LESS WILLING TO INVEST IN CANADA AND CANADIANS PLACING THEIR FUNDS ABROAD, ESPECIALLY IN U.S.

16. TEXT OF TRUDEAU'S INTERVIEW BEING POUCHED EUR/CAN.

END UNCLASSIFIED.

17. COMMENT: BEGIN LIMITED OFFICIAL USE. EMBASSY WOULD AGREE WITH CTV COMMENTARY THAT TRUDEAU'S AVID EMBRACE OF ECONOMIC CONTROLS IS REMARKABLE CONVERSION FOR SOMEONE WHO EVEN AS LATE AS SEPTEMBER WAS DERIDING CONTROLS AS UNWORKABLE AND PERNICIOUS TO ECONOMY. LIMITED OFFICIAL USE

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NOW TRUDEAU IS NOT ONLY STRONG ADVOCATE OF SHORT-TERM (THREE YEAR) CONTROL PROGRAM BUT INDICATES EVEN GREATER GOVERNMENT INTERVENTION IN ECONOMY IN YEARS AHEAD.

18. TRUDEAU'S "NEW SOCIETY" CONCEPT IS NO RECENT BRAINSTORM, BUT HE HAS INCREASED HIS EMPHASIS ON CHANGING CANADIAN VALUES AND INSTITUTIONS WITHOUT GIVING ANY DETAILED PLAN OF ACTION OR ULTIMATE GOAL. HE SEEMS TO BE SAYING THAT CANADIAN ECONOMIC PIE IS ONLY SO BIG AND CANADIANS MUST LEARN TO ACCEPT LIMITED GROWTH AND LIMITED SLICES. HOWEVER, WHO WILL GET WHAT AND HOW MUCH IS PUZZLE NOT EXPLAINED BY PM.

19. DOWNGRADING OF FREE ENTERPRISE SYSTEM AND ITS REPLACEMENT BY TRIUMVIRATE OF BIG BUSINESS, LABOR AND FEDERAL GOVERNMENT IS FAIRLY RECENT TRUDEAU THEME. BUT DIRECTION OF GOVERNMENT INTERVENTION IS STILL UNCLEAR AND TRUDEAU HAS NOT ENUNCIATED HIS PLAN FOR FUTURE GOVERNMENT ACTION. IN FACT, HE DENIED EXISTENCE OF "MASTER PLAN."

20. COLUMINIST RICHARD GYWNN WROTE ON DECEMBER 28: "ALL THAT CAN BE SAID WITH ASSURANCE IS THAT SOMETHING IS HAPPENING. FOR THE FIRST TIME SINCE HIS EARLY DAYS AS A PHILOSOPHER-KING, TRUDEAU SEEMS TO BE TRYING TO GROPE HIS WAY TOWARD SOME CONCEPT ABOUT THE NATURE OF CANADIAN SOCIETY AS IT IS TODAY AND AS IT MUST BE IN THE FUTURE." THE EMBASSY ADDS AMEN TO GWYNN'S ASSESSMENT WITH A NEW YEAR'S WISH THAT THE CANADIAN ECONOMY DOES NOT SUFFER DAMAGE WHILE TRUDEAU GROPE FOR THE HANDLE.  
JOHNSON

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## Message Attributes

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